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**EX PARTE**

February 25, 2002

**BY ELECTRONIC FILING**

Mr. William Caton  
Acting Secretary - FCC  
445 Twelfth St., SW  
Washington, D.C., 20554

Re: Notice of Ex Parte Presentation - CC Docket No. 00-175 – In the Matter of 2000 Biennial Regulatory Review and CC Docket Nos. 96-149 and 96-61 – In the Matter of Regulatory Treatment of LEC Provision of Interexchange Services Originating in the LEC's Local Exchange Area and Policy and Rules Concerning the Interstate, Interexchange Marketplace

Dear Mr. Caton,

On behalf of Sprint, Jay Keithley, Richard Juhnke, and the undersigned met with Claudia Pabo, Brad Koerner, Tom Navin, Pam Megna, and Jack Yachbes of the Common Carrier Bureau's Office of Policy and Planning regarding the above referenced matter. In the meeting, Sprint reiterated the positions it stated in comments in this proceeding and presented materials supportive of these positions.

Specifically, Sprint urged the FCC to eliminate the separate long distance affiliate requirement for independent ILECs. The independent ILECs do not have the size or geographic scope to negatively effect the extremely competitive long distance market, with or without a separate affiliate requirement. Furthermore, the existing equal access, pre-subscription, cost allocation, and non-discrimination requirements provide adequate protection against possible potential abuses by independent ILECs such that the separate affiliate requirement is unnecessary for these companies. Also, there is no statutory basis or policy reason for the FCC to make distinctions between independent ILECs in this proceeding. Sprint demonstrated in its comments, and in the attached materials, that the Sprint local telephone companies much more closely resemble the other independent ILECs than they do the RBOCs. In response to a staff question regarding the need for the Commission to establish an imputation requirement, Sprint replied that it does not object to an imputation standard that is applied at an appropriately aggregate level.

Attached are materials provided in the meeting, including Sprint's responses to a staff questionnaire that further elaborate Sprint's views associated with this proceeding.

In accordance with FCC rules, this letter is being filed electronically in the dockets identified above. Please call me if you have any questions. Thank you.

Sincerely,  
/s/  
Pete Sywenki

cc: Claudia Pabo  
Brad Koerner  
Tom Navin  
Pam Megna  
Jack Yackbes

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1. In the case of independent ILECs that provide interexchange service, but not on purely resale basis, what interexchange facilities do they own, and how do they recover the cost of these facilities?

Sprint can speak to this question only with respect to its own operations. Other than interstate intraLATA corridor services, Sprint's ILECs own no interstate interexchange facilities. Sprint's Long Distance unit ("Sprint IXC," for convenience) owns an extensive nationwide network of switching and transmission facilities and, given the difficult climate in today's long distance market, recovers the costs of those facilities as best as it can through revenues from the services it provides to its customers.

To the extent that independent ILECs resell IX service, how are these resale agreements structured? Do they contain any unique or unusual features?

Again, Sprint can address this question only from its own experience. The Sprint ILECs do not provide IX services through resale, but do provide sales agency services for Sprint IXC's interexchange services. These services are pursuant to agreement, have been disclosed in the Sprint ILEC Cost Allocation Manual and are administered and operated in accordance with the Commission's (and any applicable state commission's) affiliate transaction rules.

2. What do the non-ILECs affiliated IXCs expect the independent ILECs will do if the separate corporate subsidiary requirement is removed?

For various reasons, including tax considerations, Sprint would not expect to integrate the Sprint IXC entity with the Sprint ILEC entities. Sprint does not know whether such considerations would preclude other independent ILECs from integrating their long distance and local operations into a single entity. In any case, Sprint would not expect removal of the separate subsidiary requirement to have much of an effect on other independent ILECs' decision on whether to sell IX services and whether to do so on a facilities or resale basis. Whether or not the actual integration of legal entities takes place, Sprint would expect independent ILECs offering IX services to share network facilities, back-office systems (ordering, billing, collection), and sales and customer service staff to the greatest extent possible to eliminate possibly duplicative costs and to present as much of a single face to the customer as possible. Sprint notes that integration of sales and marketing personnel and integration of maintenance personnel and functions have been permitted under recent revisions of the Commission's rules. These activities would need to be subject to the Commission's existing Part 64 cost allocation rules, the affiliate transaction rules (assuming the separate affiliate continues to exist and provide services), the equal access/customer presubscription rules and whatever Special Access and UNE performance measurements that the Commission adopts.

What actions are the IXCs concerned about? Have there been specific examples of past discrimination or cost misallocation by independent ILECs with interexchange operations against non-ILEC affiliated IXCs?

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Sprint is unaware of any specific examples of past discrimination or cost misallocation by independent ILECs with interexchange operations. As Sprint noted in its Comments in this docket, and as discussed more fully below, the independent ILECs are far less able than the RBOCs to disadvantage IXC competitors in providing in-region, interstate services.

3. Absent the current ban on the joint ownership of facilities, do the non-ILEC affiliated IXCs expect the independent ILECs will want to own facilities jointly with their interexchange operations?

Sprint would expect that the independent ILECs may want to jointly own or share some switching and transmission facilities with their IX unit where such sharing could lead to operational efficiencies.

What facilities would be involved?

Sprint would expect that both switching and transport would be impacted. Billing systems and other back office operational systems could also be impacted if such joint ownership and sharing could lead to a more economical way of serving the customer.

What, if any, cost allocation, cost recovery or discrimination problems do the non-ILEC affiliated IXCs anticipate in this regard?

Sprint's long experience as an IXC with the independent ILECs strongly suggests that there should be no problems in this regard. Sprint believes the existing cost allocation rules and equal access/presubscription rules, especially if coupled with a set of federally mandated Special Access and UNE Performance Measurements, should be sufficient to protect against such problems.

4. What independent ILEC costs are subject to possible misallocation without the separate corporate subsidiary requirement, and where would these costs end up being recovered? Would the effect of potential cost misallocation differ depending on the type of rate regulation applicable to the independent ILEC (price cap, rate of return or average schedule) and whether the ILEC participates in the NECA pool(s)?

While, in theory, all such shared costs might be subject to misallocation, retention of the Commission's cost allocation rules, combined with the low level of risk that independent ILECs pose for unaffiliated IXCs, render these risks largely academic.

5. How do the non-ILEC affiliated IXCs interconnect with the independent ILECs? How many POPs do the national non-ILEC affiliated IXCs have and where are they located?

Sprint IXC has approximately 320 POPs nationwide. It interconnects directly with the larger independent ILECs (e.g., some of the Sprint ILECs, Cincinnati Bell, Alltel), and interconnects with smaller independent ILECs through tandem switches owned by the RBOCs and larger independent ILECs.

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6. To what extent do the non-ILEC affiliated national IXC's use independent ILEC interexchange (as opposed to access) facilities to originate and terminate their traffic to these areas?

Sprint IXC makes limited use of leased independent ILEC interexchange facilities to extend its network to more economically reach customers in the service areas of such ILECs.

Does non-ILEC affiliated IXC use of independent ILEC access services in rural areas differ from that in other areas? If so, how?

Sprint IXC makes far less use of special access facilities from independent ILECs than from RBOCs.

7. Does the implementation of equal access (Feature Group D and the related customer presubscription process) provide protection against possible non-price discrimination by independent ILECs providing interexchange service?

Yes, when coupled with other non-discrimination rules, including rules like those proposed in the special access and UNE performance measure rules.

To what extent are there small ILECs that haven't implemented equal access yet?

It is likely that some very small independent ILECs do not yet offer equal access, but Sprint does not regard this as an issue. All of Sprint's ILECs have implemented equal access.

Are there services or facilities (other than switched or special access) that non-ILEC affiliated IXC's obtain from independent ILECs?

Sprint IXC has billing and collection agreements with several independent ILECs.

Have there been any problems with the provision of these services or facilities?

In general, all ILECs (including RBOCs) have constraints on billing format, the length of messages that IXC's can include on their bills, and the lead time for submitting such messages to the ILEC. Smaller ILECs have less robust billing and collection capabilities than larger ILECs. However, the most serious problems Sprint IXC has encountered have been with the RBOCs, which in recent years have sought to impose wholly unjustifiable charges, terms and conditions on Sprint IXC for billing and collection services.

8. Are there any reasons to treat the larger independent ILECs differently than the smaller independent ILECs? Explain. Would independent ILECs have an incentive to discriminate against competing IXC's given section 254(g)'s rate averaging requirement? If so, would this incentive be affected by the size of the independent ILEC?

No; there are no reasons to distinguish between larger independent ILECs and smaller independent ILECs. The RBOCs control approximately 7/8 of the nation's switched access lines, located, within their territories, across broad and contiguous geographical areas. The independent ILECs, including the Sprint ILECs, collectively have only 1/8 of the lines spread

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over largely rural and widely dispersed territories. As Sprint pointed out in its formal comments in this docket, Sprint ILEC, the largest of the independent ILECs, more greatly resembles the other independent ILECs than the RBOCs (and this is especially true given the creation of the megaBOCs through recent mergers). The Sprint ILECs' service territories are widely dispersed, covering 18 states that stretch from Florida to Washington and New Jersey to Nevada. Additionally, all of Sprint's ILECs are "rural" as defined in the Telecom Act, except for Nevada. This dispersion and rural nature greatly distinguishes the Sprint ILECs from the RBOCs and cause the Sprint ILECs to closely resemble many other independent ILECs. There is far less chance for an interstate call to originate and terminate in Sprint ILEC territory than would happen in an RBOC's territory, thus creating far less potential to use a local-long distance consolidation to harm competition.

9. Have non-ILEC affiliated IXCs had actual problems with independent ILECs related to the competitive provision of interexchange service? Describe.

Sprint IXC has not had discrimination problems with independent ILECs.

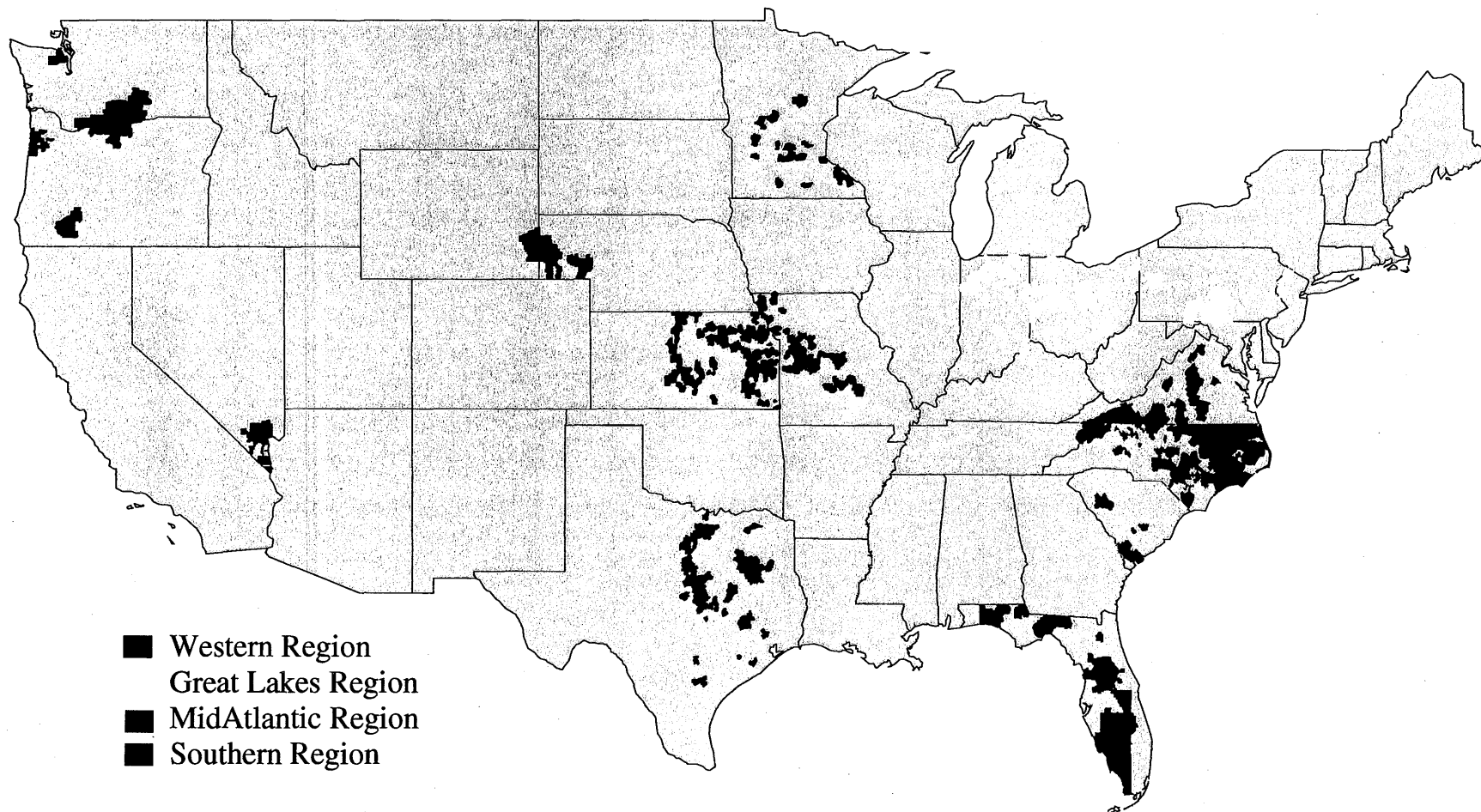
10. To what extent has local exchange competition developed in areas served by independent ILECs? Does your company operate as a CLEC in any of these areas? What types of customers does the company serve? How many lines does it provide? Does your company provide competitive local exchange service through resale, UNEs or over its own facilities?

Local competition has developed more slowly in most markets served by independent ILECs, though the Sprint ILEC faces significant competition in Las Vegas, where CLECs today account for approximately 40% of the business market. Sprint has no CLEC activities in any areas served by independent ILECs, and is confining its CLEC activity today to providing DSL services to business customers in major metropolitan areas.

11. If the Commission were to eliminate the separate corporate subsidiary requirement and rely more heavily on complaints and enforcement actions, are there clear standards concerning what constitutes discrimination? If not, could the Commission develop standards that would provide adequate guidance? What should these standards be? Would the Commission have adequate access to information necessary for the resolution of such complaints?

Given the insignificant risks that independent ILECs pose to IXCs, Sprint believes that the only additional rules needed at this time to facilitate reliance on complaints and enforcement actions are the special access performance measurements currently being considered in CC Docket No. 01-321 and the UNE performance measures currently being considered in CC Docket No. 01-318.

# Sprint Local Telephone Operations



# Sprint Local Telephone Companies - Fact Sheet

	switched access lines	% of national lines	statutory classification	teledensity (lines / sq mi)
Florida	2,200,570	1.2%	Rural	103
Indiana	254,095	0.1%	Rural	43
Kansas	146,342	0.1%	Rural	10
Minnesota	175,543	0.1%	Rural	44
Missouri	275,333	0.1%	Rural	36
Nebraska	30,058	0.0%	Rural	8
Nevada	914,086	0.5%	Non-Rural	289
New Jersey	242,036	0.1%	Rural	224
North Carolina	1,540,852	0.8%	Rural	68
Ohio	653,496	0.4%	Rural	76
Oregon	79,240	0.0%	Rural	15
Pennsylvania	418,704	0.2%	Rural	72
South Carolina	107,172	0.1%	Rural	41
Tennessee	258,161	0.1%	Rural	115
Texas	407,516	0.2%	Rural	33
Virginia	432,209	0.2%	Rural	45
Washington	91,569	0.0%	Rural	15
Wyoming	7,334	0.0%	Rural	4
Sprint Total	8,234,316	4.4%		59
RBOCs	162,859,094	87.9%		112
Other Independents	14,251,553	7.7%		
National Total	185,344,963			
Cincinnati Bell Ohio			Non-Rural	430
Roseville California			Non-Rural	1,899
Alltel Ohio				127



## Percent of Total Access Lines Residing in Wire Centers having Population < 20,000

